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*Defined Benefit Plans*

## 1 Million Participants Affected by De-Risking Over 5 Years, PBGC Says in Report

More than a million defined benefit plan participants in larger plans were affected by pension de-risking activities from 2009 through 2013, and more than half of those were involved in 2012 transactions, the Pension Benefit Guaranty Corporation said in a report.

The PBGC studied the annual reporting data of about 3,590 plans with more than 1,000 participants and found that 534 had engaged in ''risk transfer activities,'' which include lump-sum distributions and group annuity purchases. Of those, 381 involved lump-sum payments, the agency said in the report released Dec. 10.

The agency said in a blog post that it is collecting and studying de-risking data because of the impact that the transactions can have on its long-term financial condition, to help it project and plan for future activity, and to inform policy makers, who ''may want to ensure that these participants have the correct tools to manage the funds they receive wisely.''

A watershed year for de-risking was 2012, when transactions affected 621,169 participants. That's the year Verizon Communications Inc. and General Motors Co. announced major de-risking moves, prompting the Pension Rights Center to call for a moratorium on the transactions (39 BPR 2002, 10/23/12).

In 2011, 108,362 participants were impacted by risk-transfer activity, and in 2013, 274,634 were affected, the report said.

Attorney Edward S. Stone of Edward Stone Law PC in Greenwich, Conn., told Bloomberg BNA in a Dec. 10 e-mail that the study failed to ''address the inherent anti-selection exposure'' that the PBGC ''faces as a direct consequence of the de-risking trend.'' He said that ''healthy companies will get rid of volatility and de-risk using insurance annuities and underfunded defined benefit plans will place additional strain on PBGC resources.''

The agency recently reported a record-high deficit of $76.3 billion for fiscal year 2015, up 24 percent from $61.8 billion the year before (42 BPR 2010, 11/24/15).

During the five-year period examined, the PBGC found in the study the following risk-transfer-incidence rate:

- All plans with 1,000 or more participants: 14.9 percent.
- Cash balance plans: 15.9 percent.
- Collectively bargained plans: 13.9 percent.
- Non-collectively bargained plans: 15.2 percent.

To identify plans that appear to have executed risk transfer events, the PBGC examined Form 5500 filings where plans reported large numbers of lump-sum payments and bulk purchases of annuities.

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*Text of the study is at http://src.bna.com/btW.*